



County of Los Angeles **CHIEF ADMINISTRATIVE OFFICE**

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DAVID E. JANSSEN
Chief Administrative Officer

September 26, 2006

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

Dear Supervisors:

USE OF ADDITIONAL FISCAL YEAR (FY) 2005-06 GENERAL FUND, HOSPITAL ENTERPRISE AND SPECIAL FUNDS/DISTRICTS' FUND BALANCE IN FY 2006-07 COUNTY BUDGET (ALL DISTRICTS) (4 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the attached recommended changes and corresponding appropriation adjustments (Budget Adjustment Nos. 1 - 131) to the FY 2006-07 General County Budget. These changes transfer \$237.5 million from the Appropriation for Contingencies to various budgets; provide \$9.6 million for new ongoing funding requirements; increase appropriation that is fully offset by revenue; and transfer appropriation from one budget unit to another or redirect existing appropriation or revenue as a result of ministerial changes. Approve the attached recommended changes and corresponding appropriation adjustments (Budget Adjustment Nos. 132 - 158) to the FY 2006-07 Special Funds/Special Districts Budget, which are fully offset with various financing sources.
2. Authorize the Chief Administrative Office (CAO) to execute funding agreements with various outside agencies, described herein, in order to transfer grant funding from the Project and Facility Development Budget for planning and development activities supporting various improvements.

PROPOSED/JUSTIFICATION OF RECOMMENDED ACTION

The actions recommended are necessary to budget the actual FY 2005-06 fund balances and the use of additional one-time funds, to further refine the estimates contained in the FY 2006-07 Adopted Budget, to provide sufficient appropriation to implement programs or changes in revenues, to make miscellaneous adjustments with

various funds and to make adjustments for State budget changes. These adjustments could not be made prior to adoption of the FY 2006-07 budget since the actual FY 2005-06 fund balances and funds to be carried over to FY 2006-07 were not known and more recent information has become available.

Approval of the recommended action will also authorize the CAO to execute funding agreements with other jurisdictions and agencies in order to transfer funding from the Project and Facility Development budget for planning and development activities supporting various improvements.

Implementation of Strategic Plan Goals

These actions support the County's Strategic Plan Goal of Fiscal Responsibility.

FISCAL IMPACT/FINANCING

GENERAL FUND/HOSPITAL ENTERPRISE FUNDS

The FY 2005-06 General Fund Budget ended the year with a \$1.1 billion fund balance, of which \$832.5 million was committed as fund balance in the FY 2006-07 Adopted Budget. This leaves the General Fund with an additional fund balance of \$237.4 million. Upon approval of your Board, the Auditor-Controller will allocate the additional fund balance of \$237.4 million to the Appropriation for Contingencies. Since the FY 2006-07 Adopted Budget for the Appropriation for Contingencies was \$0.1 million, the Auditor-Controller's recommendation will bring the Appropriation for Contingencies balance to \$237.5 million. This additional fund balance is comprised of \$3.4 million needed to be carried over for projects and programs not yet completed in FY 2005-06 that were not included in the FY 2006-07 Adopted Budget (Carryover Fund Balance) and \$234.1 million that is available for one-time use (Available Fund Balance). There is no change in the fund balance for the Hospital Enterprise Fund.

Carryover Fund Balance - \$3.4 Million Net Cost

As referenced above, we are recommending that \$3.4 million in Carryover Fund Balance be incorporated into the FY 2006-07 Final Adopted Budget. Since these adjustments are financed with fund balance they are one-time in nature. Listed below are some the major recommendations:

- **Capital Projects** - A net increase of \$7.2 million in carryover adjustments to various capital projects to account for lower than anticipated expenditures in FY 2005-06 and the allocation of prior year departmental savings including:

\$3.8 million for renovation of the Auditor-Controller's fifth floor offices, \$1.5 million for the reconfiguration of County Counsel's sixth floor offices, \$0.1 million to support improvements to the Internal Services Department's mailroom, and \$1.6 million for improvements to Public Works' Building and Safety Offices. Also included are reallocations of Fifth District capital project funds to support improvements at the Acton-Agua Dulce Library (\$0.4 million) and Copper Hill Park (\$0.5 million).

- **Extraordinary Maintenance** - A net decrease of \$2.1 million in carryover adjustments to account for higher than anticipated expenditures in FY 2005-06.
- **Project and Facility Development** - A net decrease of \$52.3 million in carryover adjustments to reflect the transfer of appropriation for hospital related projects to the Health Facilities Capital Improvement Special Fund.
- **Probation Department** - To set aside \$8.8 million in Provisional Financing Uses for the Probation Department, to be used along with \$8.0 million in one-time funding already allocated for security needs, to provide a safer and more secure environment for minors at the County's juvenile halls and camps.
- **Unincorporated Services** - To provide one-time funding of \$7.3 million allocated among the Public Library (\$6.6 million), and the Department of Parks and Recreation (\$0.7 million) for unincorporated services.
- **Children's Prevention Program** - To set aside \$5.0 million in Provisional Financing Uses for the Department of Children and Family Services' Prevention Initiatives until the Department's plans to expand the initiative are finalized.
- **Designation for Assessor Tax System** - To supplement the Designation by \$4.5 million that will be used to help finance a new Secured Property Tax Systems.
- **Gang Suppression** -To provide one-time funding of \$1.5 million to the Sheriff's Department to saturate unincorporated communities with gang suppression units, as directed by your Board.

Use of Additional Fund Balance - \$234.1 Million Net Cost

In keeping with County budget policy, we are recommending that the uncommitted additional fund balance amount of \$234.1 million be earmarked for projects or expenditures that are one-time in nature such as capital projects, extraordinary maintenance, one-time start-up costs or one-time purchases. The following highlights some of our recommendations that meet this criterion for the FY 2006-07 Final Adopted Budget.

- **Designation for Capital Projects/Extraordinary Maintenance** - To supplement the Designation for Capital Projects/Extraordinary Maintenance by \$149.6 million to update the County's infrastructure needs.
- **Capital Projects** - To provide \$56.7 million to fund a variety of capital projects including a new animal shelter in the East Antelope Valley (\$12.0 million), various soil and groundwater remediation projects (\$36.8 million), and other high priority capital projects (\$7.9 million).
- **Project and Facility Development** - To provide \$5.0 million to fund a grant for planning and development activities for the Museum of Natural History (\$5.0 million).
- **Designation for Retirement/Retiree Health** - To establish a Designation for Retirement/Retiree Health in the amount of \$17.0 million to begin to address future obligations.

Use of Ongoing Revenues - \$9.6 million

We are recommending ongoing funding for critical new programs and program enhancements totaling \$9.6 million fully offset with projected property tax increases. Highlighted below are the major components:

- **Probation Department** - We are recommending that an additional \$7.3 million in ongoing funding be allocated for the Probation Department. This funding includes \$3.4 million for camp redesign, \$0.9 million allocated to the DISARM Program and \$3.0 million to be held in Provisional Financing Uses pending our office's review of phase one of the Probation Department's Unmet Needs Proposed Plan.

- **Identify Theft Program** - We are recommending that \$1.0 million in funding be allocated among the Department of Consumer Affairs, the District Attorney and the Sheriff's Department to combat and prosecute identity theft in the County.

Revenue Offset Funding

The following are major program changes to the Adopted Budget that we are recommending where appropriation increases are offset by a variety of revenue sources and results in no increases in net County cost. —

- **CalWORKs** - Reflects appropriation and revenue increase of \$8.2 million, which adds 159.0 positions, for the Department of Public Social Services to dedicate staff to help reduce sanctions and increase welfare-to-work participation rates.
- **In-Home Supportive Service** - Reflects appropriation and revenue increases totaling \$22.0 million for the In-Home Supportive Service Program. The increase is primarily the result of a twenty-five percent (25 percent) increase in capitation for the In-Home Supportive Service Health Care Plan (\$15.3 million), changes in caseload (\$0.5 million), increase in employer taxes (\$3.4 million) and refinements of the County's share of cost for the IHSS program (\$2.8 million).
- **Sheriff Training and Recruitment** - Reflects \$5.6 million in appropriation and revenue increases to add 51.0 budgeted positions and services and supplies to enhance recruitment and training programs for the Sheriff's Department.
- **Probation Department** - Reflects appropriation and revenue increases of \$2.4 million related to the restoration of State funds that support the training of local correction professionals (\$1.9 million) and increases in grant funding for the adult DUI offenders (\$0.5 million).
- **Homeless Families** - Reflects appropriation and revenue increases of \$0.6 million for the Department of Children and Family Services to provide follow up and linkage services and support for homeless families on Skid Row. This adjustment adds 9.0 budgeted positions.

Ministerial Changes

The following recommended changes reflect transfers between budget units or the redirection of existing appropriation and revenues within a budget unit and generally have no net affect on appropriation. Outlined below are some of the major adjustments we are recommending.

- **Capital Projects** - Transfer \$167.0 million from the Designation for Jail Construction and \$83.4 million from the Designation for Capital Projects/Extraordinary Maintenance to the Capital Project Budget for the planning and development of new female barracks at Pitchess Detention Center and the rehabilitation of Sybil Brand Institute; and \$4.5 million from Health Services to fund capital improvement costs.
- **Project and Facility Development** - Transfer \$12.6 million from the Designation for Tobacco Settlement to the Project and Facility Development Budget to satisfy accounting requirements and offset expense for health capital projects currently budgeted within the Health Facilities Capital Improvement Special Fund and the LAC+USC Medical Center Replacement Special Fund.
- **State Prisoner Housing Contract** - Transfer \$18.3 million from the Designation for Security Enhancement to the Sheriff's Department to offset the loss of revenue from the cancellation of the State prisoner housing contract, which was approved by your Board.
- **Sheriff Custody** - Realign appropriation within the Sheriff's Department to reflect the elimination of one-time costs of \$5.8 million from the opening of the Century Regional Detention Facility and savings associated with the transfer of inmates from Men's Central Jail to other custody facilities. These costs savings will offset the new costs of adding 50.0 positions (\$5.7 million) to fully reopen the Pitchess Detention Center's North Annex facility to accommodate additional inmates from Men's Central Jail and increase fixed assets by \$0.1 million.
- **Mental Health Structural Deficit** - Transfer \$15.2 million from Provisional Financing Uses to the Department of Mental Health to provided one-time bridge funding while the Department prepares to transform and restructure their service delivery to address projected budget gaps.
- **Youth Jobs** - Transfer \$6.5 million from the Department of Public Social Services to the Department of Community and Senior Services related to the continuation of the Youth Jobs Program.
- **County Channel** - Transfer \$1.1 million from Provisional Financing Uses to the Chief Administrative Office (CAO) (\$1.0 million) and Consumer Affairs (\$0.1 million) to create the Cable and Telecommunication Division within the CAO that will produce the broadcasting of a County Channel on cable television.

- **Information Technology (IT) Shared Services** - Transfer \$2.0 million from Provisional Financing Uses to the Department of Animal Care and Control (\$1.0 million), Coroner-Medical Examiner (\$0.9 million) and Human Relations Commission (\$0.1 million) in order to implement phase one of the IT Shared Services Initiative.

Health Services/Public Health

The Supplemental Budget recommendations reflect technical adjustments needed to establish the separate "roll-up" budget for the new Department of Public Health (DPH), as approved by your Board on May 30, 2006. The adjustments include the distribution of net County cost (NCC) and Realignment Sales Tax revenue between the DPH and Department of Health Services (DHS) budgets, based on the methodology utilized by DHS for the DHS 2006-07 Adopted Budget. The recommendations also reflect revisions to, and reallocation of, overhead costs, previously charged by DHS Health Services Administration (HSA) to the public health budgets, and the associated NCC.

In establishing the new DPH, 132.0 administrative positions were transferred from DHS Health Services Administration (HSA) to DPH Public Health (PH), partially offset by the transfer of 3.0 budgeted positions from PH to HSA, for no net change in overall budgeted positions. In addition, as reported previously to your Board, 21.0 new administrative support positions have been added to the DPH budget at a cost of \$1.3 million with no net increase in NCC.

The budgets in the new DPH include Public Health, Office of AIDS Programs and Policy (OAPP), Alcohol and Drug Programs Administration (ADPA), and Children's Medical Services (CMS); as well as the newly created budget unit for Antelope Valley Rehabilitation Centers (AVRC), the costs of which were formerly included in the ValleyCare Network budget. The total budget for the new DPH is \$679.3 million with 4,269.2 budgeted positions, and \$143.1 million in NCC.

The remaining operating budgets in DHS include the General Fund budget units of Health Services Administration, Office of Managed Care (OMC), and Juvenile Court Health Services (JCHS), and the five Enterprise Fund budget units of LAC+USC Healthcare Network, Coastal Network, Southwest Network, ValleyCare Network and Rancho Los Amigos National Rehabilitation Center. The total budget for DHS is now \$3.3 billion with 21,672.1 budgeted positions, and \$769.2 million in NCC.

Department of Health Services

For the DHS budget, in addition to adjustments for the transfer of public health budgets, the remaining adjustments increase the use of funds from the Enterprise Fund Designation by \$18.5 million, as identified below. This includes a net County cost (NCC) decrease in the DHS budget of \$10.8 million, consisting of \$4.5 million transferred to the CAO Capital Projects/Refurbishments budget for health-related capital projects, \$2.8 million transferred to the Department of Public Social Services, related primarily to an increase in the capitation payment rate for the In-Home Supportive Services (IHSS) Provider Health Care Plan, and \$3.5 million in Tobacco Settlement funding transferred to the Tobacco Settlement designation, due to 2006-07 State Budget approval of funding for the Health Care Workforce Development Program, which reduced the need for County funding.

- Net increase of \$12.8 million in revenue, primarily related to revised enrollment projections for the Medi-Cal Managed Care and Healthy Families programs, and a capitation payment rate increase for the IHSS Provider Health Care Plan.
- Net revenue increases of \$14.8 million, primarily related to revised projections of Medi-Cal revenue increases of \$44.2 million, partially offset by reductions of \$24.0 million in Cost-Based Reimbursement Clinic revenue and \$7.0 million in Distressed Hospital Fund. Also included is increased revenue for the Physicians Services special fund of \$1.6 million.
- Net increase of \$10.1 million in costs for Board-approved medical school affiliation agreements with UCLA and USC and a net decrease of 3.4 budgeted physician positions at LAC+USC, now reflected in the USC affiliation agreement.
- Addition of 134.0 budgeted positions, primarily for nursing attendants, to reduce the use of registry contracts, for a net savings of \$1.5 million. Net savings reflect \$2.3 million reduction in nurse registry partially offset by \$0.8 million increase for nurse recruitment; also includes projected savings from nursing attendant positions previously approved in the 2006-07 Final Changes budget.
- Net addition of 21.0 budgeted positions, more than half of which are identified as time-limited, and an increase of \$22.7 million for costs related to move/transition activities, implementation of information systems projects, and purchase of a new telecommunications system for the LAC+USC Replacement Project.

- Net increase of 6.0 positions, consisting of 4.0 positions and \$0.3 million fully revenue offset for the Office of Managed Care to conform with State reporting requirements, and 2.0 positions and \$0.1 million in Health Services Administration for implementation of the Homeless Initiative.
- Reflects a net increase of \$2.4 million, consisting of increased cost for commercial paper and various cost changes, including facility licensing and certification fees and centralized operations support, partially offset by savings in pharmaceutical costs.
- Use of \$4.5 million resulting from the transfer of NCC for health-related capital projects, including \$2.3 million for Board-approved change orders related to the LAC+USC Replacement Project, and \$2.2 million in 2005-06 carryover funds for health-related capital projects not completed during that fiscal year.
- Use of \$6.8 million for the net increase to the DHS budgets for HSA overhead previously charged to the public health budgets and \$1.0 million to OAPP in 2005-06 carryover funds from Public Health surplus.

The DHS Budget also reflects elimination of the separate budget for the intergovernmental transfer required by the State in order to participate in and draw down federal revenue under the Medicaid Disproportionate Share Hospital Supplementary Payment Program (SB 855). Under Medi-Cal Redesign the process has been modified and the separate budget is no longer necessary.

In the FY 2005-06 closing, DHS identified a \$250.5 million surplus, which increased the balance in the Enterprise Fund Designation to \$258.9 million. The use of \$122.8 million of the Designation was previously approved by your Board in the 2006-07 Adopted Budget. The additional use of \$18.5 million for the Supplemental Changes would leave a revised available balance of \$117.6 million.

Further, in addition to the Health Services amounts discussed above, \$12.6 million in Tobacco Settlement funds will be transferred from the Tobacco Settlement designation to the CAO Capital Projects/Refurbishments budget for capital projects costs related to the Harbor-UCLA Surgery/Emergency Room Project, High Desert Multi-Service Ambulatory Care Center, and the LAC+USC Replacement Project Psychiatric Unit Conversion. As part of the 2005-06 closing, this \$12.6 million in unspent funds reverted to the Tobacco Settlement designation, consistent with your Board's policy regarding unspent Tobacco Settlement funds. The \$12.6 million carryover amount is reflected in the capital projects carryover changes.

Department of Public Health

For DPH, in addition to the adjustments related to the transfer of public health budgets from DHS, the adjustment reflects various program changes, primarily revenue offset. There is a NCC increase of \$1.0 million related to carryover funds from the 2005-06 year-end surplus generated by Public Health. In separate adjustments included in the Supplemental Changes recommendations, an additional \$1.0 million in NCC is proposed for DPH, consisting of \$0.3 million for the first year of a three year program to increase the number of investigations of illegal food vendors and \$0.7 million for the Syphilis Sexually Transmitted Diseases Prevention/Treatment program.

- Increased program costs of \$12.5 million, fully offset by State revenue, \$6.4 million for ADPA for substance abuse services related to Proposition 36, the Substance Abuse and Crime Prevention Act of 2000, and \$6.1 million for health coverage outreach and enrollment in the Medi-Cal and Healthy Families Programs.
- A decrease of \$1.9 million in revenue from the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act Title I Year 16 allocation, offset by reductions in OAPP administrative costs, including a net reduction in overhead costs related to the DPH separation, and the one-time use of \$1.0 million in carryover funds.
- A net increase of 11.0 budgeted positions and increased costs for salaries and employee benefits and services and supplies in Public Health programs, related to Pandemic Flu Preparedness, Health Facilities Program, Los Angeles Mommy and Baby (LAMB) Project and the Immunization Program, as previously approved by your Board, fully offset by State and/or federal grants.

SPECIAL FUNDS - SPECIAL DISTRICTS

Services and program provided by Special Funds and Special Districts are generally financed by sources other than the General Fund. Revenue resources include State and federal subventions, property taxes, fines and forfeitures, fees and operating revenues. Below are the significant changes we are recommending to your Board.

- **Fire Department** - \$20.7 million for Board approved increases in salaries and employee benefits and a \$16.2 million increase for the Designation for Infrastructure Growth.

- **Health Services** - \$24.0 million for the Department of Health Services' Measure B Special Tax Fund (\$21.2 million), the Physician Services Account Fund (\$1.0 million) and the LAC+USC Replacement ACO Fund (\$1.8 million).
- **Public Works Road Fund** - \$37.6 million increase in appropriation fully offset with revenue to exchange County funds for Surface Transportation Program-Local funds (\$20.6 million) and to reflect the State's increased allocation of Proposition 42 funds to local government (\$17.0 million).

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Funding Agreement Authorization

The proposed funding agreements, which total \$10.0 million as summarized below, are necessary to complete fund transfers to various outside agencies for planning and development activities supporting various improvements.

Transfer of First District Capital Project Funds: \$50,000 to St. Barnabas Adult Center for cooling system improvements.

Other Allocations of Fund Balance: \$5.0 million to the Museum of Natural History for parking lot and miscellaneous general improvements.

Other Revenue Offset Allocations: \$4.9 million to the Music Center (Performing Arts Center of Los Angeles County) for heating, ventilating and air-conditioning improvements at the Mark Taper Forum.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

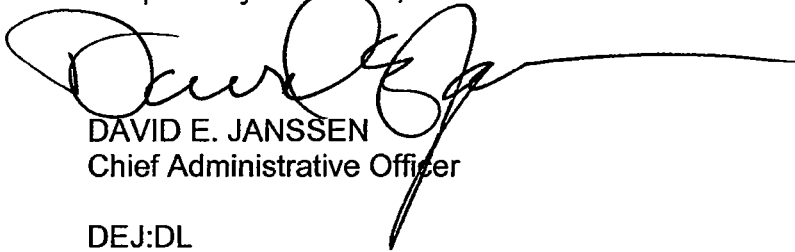
Adoption of these recommendations will allow your Board to:

- Realign and appropriate funding based upon the necessary accounting adjustments between the estimates contained in the FY 2006-07 Adopted Budget and actual operating results of FY 2005-06.

Honorable Board of Supervisors
September 26, 2006
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- Provide sufficient appropriation to implement programs or changes due to refined revenue projections and identified needs.
- Make miscellaneous adjustments to various funds.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'David E. Janssen', with a long horizontal line extending to the right.

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:DL
SK:EC:MM:ljp

Attachments

c: All Department Heads

Supplemental Board Letter 2006-07.bl